

## Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 14964 200842Z

17

ACTION TRSE-00

INFO OCT-01 EA-06 NEA-06 ISO-00 IO-10 H-01 L-02 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

/089 W

----- 121733

P 200736Z DEC 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9295

INFO AMEMBASYW DACCA PRIORITY

LIMITED OFFICIAL USE MANILA 14964

USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 6/30/75

TAGS: EAID, EFIN, BG

SUBJECT: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE FOR RAILWAY

PROJECT (BANGLADESH)

REF: BEACH/GONZALEZ TELECON; MANILA 14474

1. PER REFTELECON. U.S. DIRECTOR DISCUSSED SUBJECT  
PROJECT WITH BANK STAFF MAKING PARTICULAR REFERENCE  
TO TARIFF AND REORGANIZATIONAL ASPECTS. WHILE STAFF  
ACKNOWLEDGED EARLY ESTABLISHMENT COST-RELATED  
TARIFF ESSENTIAL FOR RAILWAY TO ATTAIN FINANCIAL VIABILITY,  
THEY NOTED CURRENT ACCOUNTS ARE IN DISARRAY; NO BALANCE  
SHEETS HAVE BEEN DRAWN SINCE 1968; EXISTENCE DUPLICATE  
ADMINISTRATIVE STRUCTURE; COMMINGLING OF RAILWAY WITH  
NATIONAL ACCOUNTS; ALL PREVENT DETERMINATION AT THIS  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 14964 200842Z

TIME OF ACTUAL OPERATING EXPENSES. FOR EXAMPLE,

STAFF POINT OUT THAT RAILWAY HAS NEVER CALCULATED TON/MILE OR PASSENGER/MILE COSTS FOR VARIOUS ROUTE LEGS, AN ESSENTIAL REQUIREMENT FOR SYSTEMATIC TARIFF FORMULATION.

2. STAFF ALSO NOTE REGIONAL TRADITION OF GOVT. PROVIDING SUBSIDY IN PASSENGER FARES; ACKNOWLEDGE THAT BOTH PASSENGER AND FREIGHT TARIFFS WILL REQUIRE SUBSTANTIAL UPWARD REVISION. HOWEVER, STAFF BELIEVES THAT INITIAL STEPS IN UPGRADING RAILWAY ORGANIZATION AND MANAGEMENT SHOULD BE ESTABLISHMENT OF PROPER ACCOUNTS AND FINANCIAL AND COST CONTROLS ON BASIS OF WHICH TA CONSULTANTS COULD COMPUTE AND RECOMMEND TARIFF STRUCTURE THAT COULD BE FULLY JUSTIFIED; EFFECTIVELY ADMINISTERED WITH IMPROVED OPERATIONAL, ADMINISTRATIVE COMPETENCE.

3. STAFF BELIEVES PREMATURE APPLICATION OF ESTIMATED INCREASED TARIFFS WOULD MOST LIKELY HAVE TO BE REVISED AGAIN AND POSSIBLY RESTRUCTURED ONCE COST DATA HAD BECOME KNOWN: A PROCESS WHICH COULD PROVE AWKWARD AND CONFUSING FOR THE RAILROAD STAFF AND ITS CLIENTELE. ACCORDINGLY, STAFF RECOMMEND RETENTION OF PROPOSED STEP-BY-STEP APPROACH WITH TARIFF INCREASES PHASED TO ESTABLISHMENT OF ACCOUNTING AND FINANCIAL CONTROLS, IMPROVED MANAGEMENT AND OPERATIONAL PERFORMANCE.

4. BANK STAFF INDICATED NO NECESSARY RELATIONSHIP BETWEEN DATE OF EFFECTIVE NEW TARIFF STRUCTURE IMPLEMENTATION AND TIMING OF REORGANIZATION. CRUCIAL FACTOR IN PROJECTED TIMETABLE AMOUNT OF SPADE WORK NECESSARY TO PROVIDE BASIS FROM WHICH APPROPRIATE TARIFF STRUCTURE COULD BE DETERMINED.

5. USADB PERSUADED BANK APPROACH PRUDENT, GIVEN CIRCUMSTANCES; EMBODIES BEST CHANCE OF RESTORING TRADITION OF SERVICE AND RELIABILITY TO RAILWAY SYSTEM WHOSE PROCEDURES AND PRACTICES HAVE BEEN SUCCESSIVELY ERODED FOR MANY YEARS.

SULLIVAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TECHNICAL ASSISTANCE, DEVELOPMENT LOANS, RAILROADS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 DEC 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974MANILA14964  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740370-0696  
**From:** MANILA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741219/aaaaaqdu.tel  
**Line Count:** 98  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 74 MANILA 14474  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09-Aug-2002 by worrelsw>; APPROVED <24 MAR 2003 by CunninFX>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE FOR RAILWAY PROJECT (BANGLADESH)  
**TAGS:** EAID, EFIN, BG, ADB-1  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005